Also, since our report was issued, staff members of the House Committee on Government Operations have spent considerable time in investigating the matter. As a result, we have recently agreed to conduct a review of current cost data on the dairy farm operation being developed by the Navy to see whether it is still in the best interest of the Government to close the dairy. Our review will include the interest savings factor mentioned above.

A special Subcommittee of the Committee on Armed Services also inquired into the proposed disposal of the Naval Academy dairy farm and issued a report on October 6, 1966. The Subcommittee recommended that no disposal actions be instituted by the Secretary of the Navy.

On April 5, 1967, the Bureau of the Budget issued a revised and expanded version of Circular A–2 on the utilization, retention and acquisition of Federal real property. A significant improvement in the Circular is a requirement for an annual review of real property holdings by the agencies. We also believe that the revised Circular provides more specific guidance to the agencies as to the need for the retention of real property. The extent of progress made, however, will be subsequently determined on the basis of the effectiveness of the agencies in implementing the policies and objectives outlined in the Circular.

We have been associated with matters concerning the substance of Bureau of the Budget Circular A–76 for a number of years. It is a complicated matter. It concerns problems not only of cost analyses but also other important factors, such as decisions to make or buy, the need for maintaining in-house capability, and the effects of Government competition with business.

Consistent interpretation and implementation of the principles of Circular A–76, as well as A–2, are most difficult to achieve and, many times, deep emotions are involved. This is true particularly with respect to activities which have been carried out many years by the Government. New starts are much more easily dealt with.

We feel that A–76 is sound but needs further improvement because it is important that all agencies operate under the same guidelines. Differing operations and interpretations cause confusion. We do not agree with the feeling by some that there is need for separate guidance in this area for differing kinds of services being procured. This is not a matter which can be dealt with on a formula basis. What is needed is good criteria.

Recently, we made several suggestions to the Bureau of the Budget for the purpose of clarifying certain parts of Circular A–76. One of the greatest difficulties in administering Circular A–76 concerns the question as to whether State and local taxes should be included in the cost comparisons and what differential should apply. State and local taxes are not a cost of the Federal Government except in a very remote sense, but this is compensated for somewhat by such Federal programs as aid to schools in impacted areas, sharing revenues, etc. We are still looking into this problem.

Defense Logistics Services Center Facilities for Promoting Greater Interservice Utilization of Excess Stocks

We are currently inquiring into materiel utilization operations at the Defense Logistics Services Center at Battle Creek, Michigan, and at selected activities of the military services. Our preliminary work at these installations indicates that the potential exists for increased utilization of available assets within the Department of Defense.

We believe that increased utilization can be obtained if improvements are made in the PLUS (Procedures for Long Supply Asset Utilization Screening), program. In this connection, we have found that most of the needed improvements have been previously identified by Defense study groups and internal auditors, but program operations have not improved significantly.

Under the PLUS program, the various military inventory control points report excess materiel and existing requirements for materiel to the Defense Logistics Services Center for centralized mechanical screening. When excess assets of one inventory control point are matched with requirements of another, the Center informs the requiring activity of the available materiel. The effectiveness of this program is dependent on the accuracy of data included in the mechanized file at the Defense Logistics Services Center and the propriety of decisions made by the services regarding potential transfers of available materiel.

The Defense study of the Materiel Utilization Program, dated January 1965, identified five broad problem areas and more than 20 subareas in need of man-